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BEIJING REVIEW

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A CHINESE WEEKLY OF
NEWS AND VIEWS

- Hu Encourages Creativity
- On China's Socialist System

Guangzhou—the Earliest Open “Window”



SPOTLIGHT

China's Countryside Moves Ahead



A technician teaches Shi Laihe (right), Party branch secretary of Liuzhuang village, Henan Province, how to use the minicomputer.

Peasants of Qiaogou village in Shandong have built cement fishponds to breed an African fish in water from surrounding natural hot springs.



Daqiuizhuang village in the suburbs of Tianjin now has a telephone exchange serving 76 subscribers.



A children's playground built with peasant funds in the suburbs of Shijiazhuang, capital of Hebei Province.



A recreation centre in a state farm, Xishuangbanna, Yunnan Province.



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Photo by Liu Chen	

HIGHLIGHTS OF THE WEEK

Hu Urges Cadres to Show Initiative

During his recent tour of eastern China's provinces, General Secretary Hu Yaobang called on local authorities to serve local enterprises, increase economic ties between China's regions and with other countries, and pay attention to agricultural development (p. 6).

History Will Not Repeat Itself

Our Political Editor An Zhiguo explains why China's orientation will not change and the "cultural revolution" will not repeat itself (p. 4).

Economist Views China's Socialist System

Well-known economist Su Xing takes a look at the birth of China's socialist system, its characteristics through the years and its conformity with basic Marxist principles. Su argues that the present economic reform helps build the socialist system rather than detracts from it (p. 18).

Why Was Henry Liu Murdered?

Professor Chen Guying in an interview talks about his close friend Henry Liu, author of *Biography of Chiang Ching-kuo*, who was assassinated last month in San Francisco. Prof. Chen speculates that Liu was murdered because his book revealed material that Taiwan President Chang Ching-kuo wanted to keep secret for ever (p. 16).

Guangzhou Joint Ventures Paying Off

Guangzhou, the first of the 14 coastal cities opened to overseas investment, has already attracted US\$ 1.1 billion of capital in joint venture and investment business. A look at joint ventures indicates that they are good business for both the foreign investors and Chinese enterprises (p. 23).

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History Will Not Repeat Itself

by AN ZHIGUO
Political Editor

It has been said that sometimes when someone repeats a story too often, he himself becomes convinced of its truth. It is from this kind of self-hypnotism that some Western observers are suffering when they claim that China's present policies will not last. Despite the political stability and the success of the current reforms, they keep on predicting that turbulence and upheaval will recur. Wait and see, they say. The historical odds are against long-term stability.

The reasoning behind this scepticism is that they assume the policies now being followed in China are the handiwork of a few leaders. Should these leaders depart from the political scene, they argue, a change in line will inevitably ensue. Then China will zigzag from one extreme to the other. This is way off the mark, because the present policies did not come about arbitrarily. They were based on the political conclusions not only of the Chinese leaders, but of the vast majority of the Chinese people and Communist Party members. The whole nation has learnt many lessons through the years before and during the decade of the "cultural revolution."

The "cultural revolution" took place in China under a unique set of historical circumstances. It was based on the erroneous theory of continuous revolution under proletarian dictatorship, which took class struggle as the key to the country's work even after the bourgeoisie as a class was

abolished. This misconception, which has no basis in fact, saw class enemies lurking in every corner, even within Party ranks and among leaders. This obscured the line between the people and their enemies, and led to confusion in our own ranks. It plunged the nation into incessant political turmoil.

The dire consequences of this theory caused the Party and the

China's basic orientation will not change, for the simple reason that the present policies have been formulated on the basis of China's conditions and meet the fundamental interests of the people.

people to discard it and return to the correct theoretical assessment that, following the seizure of political power and the abolition of the system of exploitation, modernization and the improvement of the people's economic and cultural well-being have become the nation's main tasks.

Consequently, even if some political grouping did seek another "cultural revolution" to reverse the present orientation, they would never succeed because they would have no popular backing. Life itself has totally discredited the theory behind the "cultural revolution." The Chinese people are inoculated against such madness.

Even among those whose minds were seriously poisoned by the erroneous theory, more and more have realized its absurdities and become firm supporters of the present policies.

The majority of the Chinese people want to see China socialist and prosperous. If some are hesitant and doubtful about certain new policies, they will become enthusiastic about them when life itself has shown their efficacy. This situation is quite different from the early post-liberation years, when class struggle was the main conflict in our country. Differences remain, but these differences arise only because some people understand the current reforms better than others. As the recent Decision of the Party Central Committee has pointed out, there won't be any artificial division of people into "reformers" and "conservatives."

Patience will be shown to those who fall behind the times. In the course of the reforms they will be convinced by the facts and will change their views. Such has been the case since the rural reforms were first introduced five years ago.

There will be policy adjustments when new problems arise, but China's basic orientation will not change, for the simple reason that it has been decided on the basis of China's conditions, conforms to the requirements of historical development, meets the fundamental interests of the people and has their support.

Moved by Youth

After reading your magazines, the articles which moved me very much are those about Chinese youth; how they've been doing their best in all fields, especially in gymnastics, which to me seems very dangerous. Their performances have made them world champions.

Re-reading through many of your magazines, I asked myself this question: Why is it that our youths here, who are also very energetic, cannot do what the Chinese youths can? After a critical analysis, I came to the conclusion that it is because of political instability in our country, which has left youths like us always preparing for sudden changes.

I can see from reading your magazine that China is improving itself in all fields. This has made your young people think of how they can add to this development, and also gives them the opportunity to play an active part in all undertakings.

The article about the woman scientist who devoted her time to acquiring her Ph. D. also moved me deeply ("How a Ph. D. Saves Her Time," No. 14). From her example I can see that in this world, if you are determined to do something and you devote all your time, you will eventually succeed.

Francis K. Gedzeah
Kumasi, Ghana

Progress in Countryside

Your report "National Symposium: On Reform of Rural Economic System" in issue No. 38 is very good. I am a retired worker and now live in a rural area.

That is why I am very interested in the situation in China's countryside and very often read articles about it. Your article touched me deeply.

China has celebrated its 35th anniversary. Over the past 35 years China has made rapid developments in politics, economics, culture and education. I offer my warm congratulations. The progress and development in the rural areas, in particular, is worthy of admiration.

Shoichi Masubuchi
Toshigi, Japan

I read with great interest the article on the reform of the rural economic system in issue No. 38.

The concept of the article is quite clear. However, the five key aspects of reform listed under the second sub-heading are not very clear to me, because I cannot get a good picture of the real situation of the reforms from them.

I am afraid many other readers may feel the same. Therefore, I hope you give some introduction of the actual situation concerning these reforms.

Toshio Sato
Yamagata, Japan

Likes Analysis and Fact

The three recent issues of *Beijing Review* convinced me that your magazine can give its readers a comprehensive picture of the people's China, its internal situation and its foreign policy.

Your magazine also offers political analysis. This is good and should be praised. Better still, you do not replace analytical articles with factual reports, but publish them side by side.

The cover is very good aesthetically. Some of the inside photos are nice, too. However, I feel you do make one small mistake. You should not use the back cover solely for advertisements, because they are not attractive to the readers.

Mahjoub Ait Ghannou
Morocco

China's Industry on the Upswing

After reading *Beijing Review* No. 35, I am particularly interested in your article "China's Industry on the Upswing." I admire the rapid strides China has made in industry in just three decades, and I have been following your progress for many years.

I hope to read more articles about your minority people, such as those in the Inner Mongolian Autonomous Region and the Xinjiang Uygur Autonomous Region.

Luis S. Miglioranga
Buenos Aires, Argentina

Convincing Observations

I was fascinated by the observations of China by two distinguished life-long friends of China — Sidney Shapiro and Rewi Alley in relation to the forthcoming 35th anniversary of the founding of the People's Republic. It is good to get the viewpoint of foreigners about China as they may dispel the assumptions that socialist states always make propaganda. The observations mentioned by these two men show that the achievements of the People's Republic in the last 35 years speak for themselves. Keep up with such interviews and reports.

Stephen Isabirye
Arizona, USA

Hu Urges Cadres to Show Initiative

Party General Secretary Hu Yaobang said the current reform of the economic structure presents many new and complicated problems, and many of the old regulations and work methods would no longer be applicable. He urged local officials to work hard and to think out new ways to work and new rules and regulations to guide them.

Hu was speaking during his Oct. 21-27 inspection tour of Shandong Province in eastern China. He went on to visit factories in Xuzhou in the northern part of Jiangsu Province.

Hu told Xuzhou directors and managers that business leaders should not look to the central authorities for ideas and methods. Instead, they should proceed from the circumstances in their own factories and show their own initiative and creativity in reform,

guided by the principles and policies laid down by the central government.

At the forum in Xuzhou attended by provincial leaders of Jiangsu, Henan and Anhui, Hu pointed out that the function of government organizations can be summed up in one word — service. In the past enterprises had to obey orders from higher authorities; now the latter must serve the former. This is a great change. State organizations should no longer pay lip service to the needs of enterprises. Instead, they should conscientiously help enterprises solve their difficulties.

Hu said Qingdao (Shandong's largest port) should increase its economic contacts with other countries. City authorities should work to develop Qingdao into China's link with the rest of the world as quickly as possible. Qingdao

should also expand its trade and contacts with other cities in Shandong and with other provinces in China, Hu added. Other places will be encouraged to trade with Qingdao or run businesses, including factories, hotels and restaurants, and to set up information services in the city.

Hu stressed that peasants, including those in other provinces, should be allowed to offer services or to work on special economic projects.

He pointed out that the experience of Guangdong Province showed that expanding "tertiary industry" (service trades) had made it possible to enliven the economy there fairly quickly, because this industry requires less investment and brings fast returns.

Since 1983, Hu said, economic contacts between regions have been put into practice nationwide. This is an important change. It is as significant as the adoption of the open policy, facilitates the implementation of this policy. Such economic contacts can be extended to cover other aspects of activities, including learning from good working styles and the methods of local leadership.

In all enterprises, Hu said, a worker's income should be linked with economic performance. If this principle is not followed it will be impossible for the reform to progress, he stressed. As they achieve better economic results, enterprises should increase the wages of their workers, provided that state revenue and public accumulation funds are ensured, Hu added.

The Party Secretary also urged bold measures to widen the present

Hu Yaobang speaking during his inspection tour of Shandong Province.



wage gap between the workers. It is necessary to introduce and study advanced technology and management skills, open our horizons and do all we can to raise productivity, Hu said.

Hu reminded the cadres to pay great attention to agriculture. Without quadrupling the gross annual output value of agriculture, he said, it is impossible to quadruple the gross annual output value of industry. Even if it were possible, the advance would not be stable. China is different from West European countries, where 80-90 per cent of the population are urban residents and the purchasing power is mainly in the cities. In China 80 per cent of the population are peasants and the main market is in the countryside.

When meeting with veteran Party members in the Yimeng Mountainous area in Shandong (one of the base areas during the anti-Japanese war), Hu said wrong policies in the past had hindered the economic development of the base areas. Instead of taking advantage of natural conditions for developing forestry, animal husbandry and local products, they were forced to produce grain, which did not grow well. Now wrong policies have been replaced by correct ones, Hu said. Veteran Party members and cadres should play the leading roles to work hard and get rich quick.

"There are two important lessons we have learnt from our experience in recent years," Hu said. The first was never to become hidebound in one's thinking. In times of great change, in particular, the thinking of cadres must keep pace with historical developments. The second lesson was not to make decisions on one's own, nor by depending on a few trusted people, but by drawing on the wisdom and strength of all sections of the people.

Nuclear Safety Bureau Established

The State Bureau of Nuclear Safety was formally established in China on Oct. 30. Jiang Shengjie, a well-known nuclear expert, was appointed its director.

The bureau has been given state-level powers to draft the basic laws regarding the use of atomic energy, to formulate safety regulations, guidelines and standards for civil nuclear facilities, to establish strict, effective procedures for safety approval of home-made and imported civil nuclear facilities, to issue manufacturing permits and operating licenses, to examine and monitor the safety of civil nuclear facilities already approved or now in operation, to co-ordinate research efforts of the state departments and local authorities and to undertake international exchanges and co-operation concerning nuclear safety.

Jiang said the bureau will be highly responsible to the people, stressing overall protection, strict security, meticulous management, consistency and safety. Priority will be given to safety throughout the various stages of civil nuclear development, including site selection, design, manufacture, installation, trial operation, waste disposal and shutting down facilities.

China became a member of the International Atomic Energy Agency at the beginning of this year, Jiang pointed out. "We will actively participate in the agency's activities in nuclear safety and seek its assistance and co-operation in safety assessment, research and personnel training," he said. China will continue to strengthen its co-operation and exchanges with other countries in nuclear safety.

"Our work in the nuclear power industry has just started," Jiang added. At present, preparations

for the construction of nuclear power stations are under way in Zhejiang, Jiangsu, Guangdong and Liaoning Provinces. China will increase its nuclear-power generating capacity to 10 million kw by the year 2000.

China's Telephones Cause Headaches

Making a telephone call in China is no easy task and can sometimes make the most mild-mannered person lose his temper.

A Beijing worker, for example, tried to call a taxi when his wife was about to deliver. He could not get through and he and his wife were forced to go aboard a truck to the hospital.

The phone troubles are also experienced by news reporters. A call to check a name or a simple figure in a nearby organization often takes not five minutes, not even 30 minutes, but a whole hour or longer. Sometimes reporters give up and go to check the name in person.

Bad service is due to the low number of phones, said Wu Jichuan, a planning official in the Ministry of the Post and Telecommunications.

A Jan. 1, 1983 survey indicated that only one person in every 200 in China has a phone. China is one of only six countries in the world with such a low number of telephones.

Beijing, though having the most phones in China (4.9 for every 100 people), has far fewer phones than the 100 biggest cities in the world. The city has only a few direct-dial telephones. In fact, the total number of direct-dial telephones on China's mainland doesn't surpass the number in Hongkong.

Simply adding more telephones will not mean better service, said

Dong Huiyi, another official in charge of telecommunications. Inadequate telephone lines, low carrier capacity (one carrier line can allow at most 28 conversations simultaneously) and poor circuit quality (80 per cent are open-wire) contribute to the busy-signal headaches suffered by China's phone users.

The same problems hold true for long-distance calls. A call from Beijing to Guangzhou often takes two hours to complete.

The busy-signal woes are complicated by another factor. Since local calls are not billed on a time basis, callers who pay their four *fen* (less than two cents in US) can talk as long as they wish. "Some people have no sense of time," said Dong.

Telephone woes testify to the fact that little or no attention has been paid to telephone construction and investment has been minimal. For a long period, investment in China's postal and telecommunications system accounted for less than 1 per cent of the nation's annual budget, far less than the world average.

In recent years, however, telecommunications began to develop at high speed. Hangzhou, for instance, had only 2,400 telephone switchboards in 1949. That number increased to 10,850 by 1979, but in the 1980s the speed of development increased and there are now 24,100 switchboards.

Another factor responsible for the telephone problems is the rapid increase in demand for phone service. In the past, peasants had no telephones and rarely used the public telephones. But the country now has 3,000 peasant families who have their own telephones. In the Beijing long-distance telephone centre, many peasants come from the outskirts or other parts of the country every evening to use the telephones to conduct their busi-

ness. The increased demand has made the inadequate telephone service even more inadequate.

China will invest 80 billion yuan in telephone facilities over the coming decade or so. The goal is to bring the total number of telephones to 33.6 million by the end of the century, or eight times that in 1980. "Of course, this is still backward," said Wu.

It seems unlikely that China can change its overall backwardness in a short time, Wu added. Telephone service, however, is expected to improve within a few years in the big cities and in the coastal cities open to foreign investment. By the end of this century, one of every four people in such cities as Beijing, Shanghai, Tianjin and Guangzhou and one of every five in the provincial capitals and the open cities will likely have telephones. Moreover, before 1990, computerized telephones, digital microwave telecommunications, satellite communications, optic fibre communications, mobile communications and other advanced means of telecommunications will be widely used in these major cities.

"Foreign businessmen shouldn't worry about China's telephone service too much. There will be direct-dial international telephone service next year in Beijing, Shanghai, Tianjin and Guangzhou (Fuzhou has already had this service). It will be available within two years in Dalian, Xiamen, Qingdao and other cities recently declared open to the world," said Wu.

Foreigner Tabbed To Direct Factory

A retired engineer from Federal Germany has been named director of a diesel engine factory in Wuhan, Hubei Province. It is the first time a foreigner has been hired to run a Chinese state-

owned enterprise since the founding of the People's Republic, according to *China Daily*.

Werner Gerich, a 65-year-old engineer, took office on Nov. 1 at a ceremony attended by the mayor of Wuhan, Wu Guanzheng.

Zhu Shouzhi, vice-chairman of Wuhan's Economic Commission, said introducing retired industrial specialists is part of the sweeping reforms being carried out in Wuhan, the largest industrial city in central China.

Retired foreigners can help introduce foreign technology and managerial expertise, said Zhu. Wuhan is a pilot city for carrying out urban reforms.

The Wuhan Diesel Engine Factory is a medium-sized enterprise with a staff of nearly 2,000. It produces 20,000 diesel engines annually.

Gerich arrived at the factory two months ago. A specialist in internal-combustion, he is determined to double the annual output of diesel engines in the near future.

"He is hardworking and demonstrates his techniques with real professionalism. He has won the acclaim of all the employees at the factory," said a factory official.

Zhu Shouzhi said that hiring Gerich as director is an experiment. But he believes the practice will spread.

He said more foreign experts will be hired to direct factories, mainly in the machine-building, chemical and metallurgical industries.

The idea of hiring retired industrial specialists from developed countries was first brought up in public by State Councillor Zhang Jingfu when he met with a delegation from the Federal Republic of Germany last April in Beijing.

He said that veteran specialists from abroad are wanted to help

manage China's new projects and for factory modernization programmes.

The State Councillor said retired industrial specialists would be warmly welcomed as advisers in China. "It is an effective means of boosting the exchange of expertise between China and the West," he said.

"We would be happy if they would bring their families and we would do everything we can to make their stay here pleasant," said Zhang.

In spring last year, Mayor Wu Guanzheng visited Duisburg, a Federal German city that has established friendship with Wuhan. The mayor reached an agreement with the Germans to invite some 100 retired industrial specialists to China.

Reforms to Boost Foreign Investment

China has attracted more than US\$ 8 billion in direct investment since 1979.

A target of US\$ 6 billion was originally set for the Sixth Five-Year Plan (1981-85), according to Jing Shuping, permanent member of the board of directors of the China International Trust and Investment Corporation.

Jing said the influx of foreign investment has been growing steadily. Between May 1980 and December 1982, 83 joint ventures were set up in China. From January 1983 to June 1984 another 279 were established. Of these, 172 were approved in the first six months of this year.

Jing predicted that during the Seventh Five-Year Plan (1986-90), China would build a large number of key capital construction projects in metallurgy, telecommunications, radio and television, mining, transportation, offshore oil exploration and conventional and

nuclear power stations while intensifying its efforts to retool existing enterprises.

To achieve this, China's central authorities are simplifying investment procedures to attract foreign funds and are considering giving provincial, municipal and autonomous regional governments the power to approve joint ventures. Getting the OK for projects is no longer as time-consuming as it was in the past. Some large projects were endorsed three to six months after their application had been presented to the authorities.

Jing said the Chinese Government has taken heed of criticisms of red-tape and bureaucracy which often delay project negotiations for several years. He promised changes in this situation very soon. China is reforming its urban economic structure, and part of its aim is to give local authorities and enterprises more decision-making powers.

Maria Cattai, member of the board of directors of the European Management Forum Foundation (EMFF), said that she was deeply impressed by the autonomy and initiative placed in the hands of local Chinese leaders and factory directors. "When they talked with their foreign counterparts, they brought the issue right on business, on how to further advance their co-operation," she added. She was speaking at the five-day 4th Enterprise Management Forum at the Great Hall of the People. The forum, held annually since 1981, is sponsored by the China Enterprise Management Association and EMFF.

College Students Become Managers

Zhang Songqi, a third-year student at the Beijing Institute of Economics, was recently hired by a



Zhang Songqi, a student-assistant manager, checks reference books.

Beijing company as an assistant manager while still continuing her regular studies.

This 21-year-old's duties include collecting economic information from home and abroad and helping the company's head office guide and regulate production and management in its subsidiaries. She can use what she has learnt in college to help solve the problems which crop up in these branch offices.

Zhang has a flexible schedule. She earns a regular salary at the company, over and above bonuses for outstanding performance.

Letting college students participate in decision-making and management in factories not only closely links education with practice, but is also an effective way to make the leadership of grass-roots units well-educated and younger in age. If this practice continues for a decade, a vast contingent of new cadres will emerge in China.

Since 1980, nearly 10,000 college graduates have gone out to work in factories, mines and government organizations at the grass-roots level across the country. Of them, 3,300 started their jobs this year.

Of the 700 college graduates sent to work at the grass roots in Liaoning, Henan and three other provinces prior to 1982, 380 have become township officials or leaders of township companies, factories and mines.

A survey shows that of the 470 college graduates chosen to work in grass-roots units in Anhui before 1983, 79 have taken various leading posts, and most others are playing a key role in their work units.

Zhao Stresses Third World Unity

"The unity of the third world is of great importance, and China will do its utmost to strengthen it," Premier Zhao Ziyang told Thomas Sankara, Chairman of the National Council of Revolution of Burkina Faso (Upper Volta), in Beijing on Nov. 6.

Zhao said that China wishes to see African countries strengthen their unity, which alone will enable them to get rid of foreign interference.

Sankara spoke highly of China's foreign policy. He said, "We believe China has concretely followed the principles of non-interference in other's internal affairs, mutual respect, equality and mutual benefit."

Sankara, who is the first head of state of Burkina Faso to visit China since diplomatic relations were established in 1973, arrived in Beijing on Nov. 5 for a five-day visit at the invitation of President Li Xiannian.



Chairman Sankara is welcomed by President Li Xiannian.

After the talks, Zhao was interviewed by journalists from Burkina Faso. They asked him to comment on the report that while China's anti-imperialist policy has won high praise, some people now think that China is moving slowly towards the West.

Zhao reaffirmed that the Chinese Government has always supported the third world in its struggle against imperialism, colonialism, hegemonism and racism. "We support them not only in the past but also in future. China's stand will remain unchanged." At the same time, he said, China wants to develop its relations with all countries on the basis of Five Principles of Peaceful Coexistence.

At the banquet honouring Sankara, President Li paid tribute to the achievements the people of Burkina Faso have made under the leadership of Sankara in building an "independent and self-sufficient" national economy.

Li also praised the foreign policy of the Burkina Faso Government. He said he is satisfied with the friendly relations between the two countries.

Sankara said that Burkina Faso

and China were genuine non-aligned countries who oppose the politics of power groups. "We developing countries should join our hands and try to enhance friendship and co-operation among our peoples," he added.

Deng Xiaoping, Chairman of the Central Advisory Commission, met Sankara on Nov. 7. Deng told him that promoting world peace and eliminating domestic poverty are the two main points of China's work at home and abroad.

Sankara said that he greatly appreciates China's experience. He also briefed Deng on his country's foreign policy.

On Nov. 8 the two countries signed an agreement for a Chinese loan to Burkina Faso and an economic and technical co-operation protocol.

Deng Sees Hope For Global Peace

"There is hope for peace, although the danger of war still looms over the world," Deng Xiaoping told Herbert W. Armstrong, President of the US Ambassador Foundation in Beijing on Nov. 7.

In today's world only the United States and the Soviet Union have the capability to launch a large-scale war, the chairman of the Central Advisory Commission of the Communist Party said. "However," Deng added, "neither dare to act rashly because each could destroy the other and the world."

He went on to say, "What is more important is that all the people in the world want peace and so do most countries. The factor for peace is increasing. That is why we say there is hope."

During the meeting Armstrong, 92, told Deng that his foundation will set up a children's cultural centre in Beijing. The US Ambassador Foundation is a non-governmental group founded in 1976 to promote international understanding, children's welfare and world peace. Armstrong said he is a people's ambassador working for peace.

Deng, who is also honorary chairman of the Soong Ching Ling Foundation, told him, "You have been working very hard and have done a lot for world peace and children's welfare. It is very meaningful work, and you have my admiration."

Armstrong told Deng he had seen many changes since his first visit to China in 1979. Deng agreed that while China is still a developing country, the Chinese people are confident they can fulfil their goal to quadruple the country's annual gross industrial and agricultural output value by the year 2000. For the last few years industry and agriculture have increased by 9 or 10 per cent annually, and this year's increase is expected to top 10 per cent.

"In another 20 or 30 years China will approach the level of advanced countries," Deng concluded.

China Greets Reagan Re-election

President Li Xiannian and Premier Zhao Ziyang sent a joint message of congratulations on Nov. 8 to Ronald Reagan on his re-election as president of the United States of America. On the same day, Vice-President Ulanhu and Zhao sent messages congratulating George Bush on his re-election as vice-president.

Responding to a question about China's reaction to Reagan's re-election at a weekly news briefing in Beijing on Nov. 7, Foreign Ministry spokesman Wang Zhenyu said, "We sincerely hope that during Reagan's second term Sino-American relations will be further developed on the basis of the three joint communiques signed between the two countries."

Reagan, the Republican Party's candidate, won a landslide victory with 525 of a total of 538 electoral votes from the country's 50 states. His Democratic challenger, Walter Mondale, won only his home state of Minnesota and the District of Columbia.

China, Ghana Seek Better Relations

During their recent visit to Beijing, representatives of Ghana agreed with Chinese officials that they would like to improve relations between the two nations.

Kojo Tsikata, special adviser to the Ghanaian Provisional National Defense Committee, led the delegation which arrived in Beijing Nov. 2. The visit was the first by representatives of the present Ghanaian Government.

"The delegation's mission," said Tsikata, "is to restore and develop relations with China." He said he hopes his visit will be the beginning of improved bilateral ties.

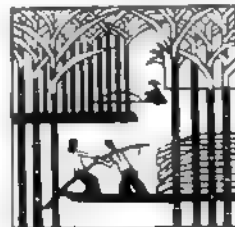
Chinese Premier Zhao Ziyang said he, too, has the same hopes for Sino-Ghanaian relations.

China and Ghana established diplomatic relations in 1960 when Ghana gained its independence from Britain. In the early 1960s leaders of the two countries exchanged visits, but domestic problem in Ghana during the late '60s resulted in the cancellation of diplomatic relations. The two countries again exchanged diplomats in 1972 and friendly contacts have since increased.

Friendly co-operation between China and Ghana is established upon the basis of the Five Principles of Peaceful Coexistence which call for mutual respect and benefit between nations. "There should be no obstacles to the development of relations between the two third world countries facing common tasks and sharing identical views on many international issues," Premier Zhao said during a Nov. 3 meeting.

During the meeting, officials of both sides agreed that the visit will help deepen mutual understanding and friendship and expand economic and technical co-operation and trade between the two countries.

At the Nov. 2 banquet hosted by Chinese State Councillor and Foreign Minister Wu Xueqian, Tsikata praised China as a strong force for peace in the world. Wu reiterated that China sees strengthening unity and co-operation between third world countries as a primary goal of its foreign policy.



India

Power Transfer Proceeds Smoothly

by YI MING

"Beijing Review" News Analyst

WHEN Rajiv Gandhi, the new Indian Prime Minister, lit the pyre piled with sandal-wood in the centre of a 10-foot platform amidst the chanting of vedic hymns, the era of Indira Gandhi, who led her country's 750 million people for 15 years and was India's first woman prime minister, came to an end.

At the funeral, attended by leaders from more than a hundred nations, including more than 50 presidents, vice-presidents, premiers and vice-premiers, and while receiving these foreign guests, the new head of government, pushed onto the world stage by tragedy, left a deep impression on foreign leaders with his dignity and self-confidence during the unprecedented crisis.

Because Indira Gandhi so completely dominated Indian public life, her death has left a dangerous vacuum in a country beset by political and social tension. People are worried whether the new prime minister, who has been in politics for only four years, can cope with a challenge as grave as the one his maternal grandfather Jawaharlal Nehru faced 37 years ago when India gained its independence. Even his mother, despite the religious turmoil which troubled the end of her administration, never had to deal with a problem as large as the one her death has left to her son.

Trained to be his mother's successor, Rajiv Gandhi, 40, understands well what lies ahead for

him. He has said, "The family can only lead you to cross the threshold. You have to show your own ability in handling affairs if you want to make continued progress."

Though the Indian opposition parties have complained that the new prime minister was not firm enough in quelling the violence immediately following Indira's death and accordingly suspected his ability to assume the post, he has shown a staunch spirit and a decisive manner in a uniquely critical moment.

In the days just after Indira Gandhi's assassination on Oct. 31, wild disturbances broke out across large parts of the country. Because the assassins were two of her own Sikh bodyguards, enraged Hindus destroyed and burned cars, shops and houses owned by Sikhs, surrounded their temples and dragged Sikhs out into the street to be beaten. It is reported that more than 1,000 people died in the religious conflict, and many more were left homeless.

The day the new prime minister was sworn in, he spoke over the radio appealing for calm and restraint. He asked the Indian people to free themselves from the influence of emotion. "Emotion may affect our judgment," he warned.

The next day he called an emergency meeting of his new cabinet to discuss the violence, and ordered the security departments to take firm, quick action to put an end to the disorder. Because the task facing the police was very heavy, soldiers were also dispatched to maintain law and

order. Curfew was imposed in at least 30 cities and towns. In New Delhi, helicopters were used to pinpoint trouble spots.

On Nov. 2, Rajiv Gandhi spoke on the radio again, assuring people that the government would protect the life and property of every citizen, regardless of his religion or caste. "Do not shed blood," he advised, quoting his mother. "Let the hatred die away with the passage of time." When he met 15 Sikh leaders on Nov. 6, he told them that the assassination was carried out by "two misguided persons." The whole Sikh society could not be blamed, he said.

In order to return the situation to normal, the prime minister approved a series of measures to console the people, including pensions for the families of those killed in the clashes, subsidies for the wounded and those whose homes were damaged or destroyed and low-interest loans for business people whose property was lost.

India has gradually returned to normal. Throughout the widespread rioting, despite his political inexperience, Rajiv Gandhi withstood a stern test.

The smooth transition of power and his reappointment of almost all members of his mother's cabinet indicate that the new prime minister will follow his mother's policy. This will give the administrative machinery the continuity it needs until after the election.

However, because Rajiv Gandhi is still young and free from any fixed ideas, there is hope that a fresh wind of change may blow. The whole world is waiting to see what he will do.

The sudden disappearance of Indira Gandhi from Indian

politics has left many Indians feeling uncertain about their future. Now, as the torch is passed from the second generation of the Nehru

family to the third, the world wishes Rajiv success in leading his nation quickly past its current crisis.

asked about second-term goals on Nov. 6, James Baker, Reagan's White House staff chief, repeated Reagan's words and added that the administration hopes to simplify tax collecting procedures.

The United States

Reagan Faces Tough Second Term

by **ZHANG YUNWEN**

AFTER a landslide victory in the Nov. 6 presidential election, Ronald Reagan told his supporters, "It is the end of nothing. It is the beginning of everything." But the re-elected president of the United States faces a number of difficult second-term tasks.

Reagan won 525 electoral votes, taking 49 of the 50 states, and was re-elected as the 50th US president by a record margin. Democratic candidate Walter Mondale captured only 13 electoral votes by winning his home state of Minnesota and the District of Columbia.

Reagan's overwhelming victory was not totally unexpected. As one American TV commentator put it, the economy is going good and voters do not want a tax increase. Mondale had announced during the campaign that he would increase taxes to cut the US budget deficit.

In the congressional races, the Republican Party retained majority control of the 100-member Senate. Republicans had hoped to gain back the 26 House seats their party lost to the Democrats in the 1982 elections in order to reclaim a working majority in the House. Prior to the 1982 losses, the working majority had facilitated passage of some important legislation, including Reagan's 1981 tax reduction act. But last week's election did not fulfil the Republican hopes. They regained only 15 seats in the House, and the majority is still in the hands of the Democratic Party.

At the end of his election cam-

paign, Reagan told his supporters that the conservative fire, which he had helped kindle 20 years before, has swept the whole country. He promised to carry out a "second American revolution." But exactly what Reagan's "second revolution" entails is still unclear to the American people.

Political analysts have noted that during the campaign Reagan, instead of making clear the policies and measures he planned for his second term, had only vaguely talked about making the United States more beautiful, more powerful and more proud. It was not until most recently that he, in a response to reporters' questions, said his main tasks in his second term are peace, disarmament and nuclear arms reduction. When

Soviet Union

Party Works to Boost Production

by **ZHONG TAI**

LAST month's Plenum of the Central Committee of the Soviet Communist Party passed a water conservancy and irrigation programme that will be implemented through the end of the century to increase and improve food supplies to the country's urban population.

Grain production. Soviet agricultural production has been on the decline for several years because of droughts or flooding. The total grain output was 237.4

million tons in 1978, but it dropped to only 179.2 million tons in 1979 and rebounded to only 195 million tons last year. This year will reportedly be the sixth straight year of poor harvests.

According to Soviet statistics, the annual grain output in the 10th Five-Year Plan (1976-1980) averaged 205 million tons, and the annual grain output in the 11th Five-Year Plan (1981-1985) was planned to reach 238 million tons or more. The crop yields in the past four years indicate agriculture will fall short of the target of the current Five-Year Plan and will

not even match the average yield of the previous Five-Year Plan.

Continued crop failures have forced the country to import large quantities of grain and other agricultural products. Soviet leader Konstantin Chernenko acknowledged in his speech at the Oct. 23 Party Plenum that the shortage of food, especially meat, in many cities remains acute.

Nevertheless, some achievements have been won in promoting agriculture during the past few Five-Year Plans. The average annual value of agricultural production during the seventh Five-Year Plan (1961-1965) was 83 billion rubles. It increased to 124 billion rubles in the 10th Five-Year Plan (1976-1980) and it reached 135 billion rubles in 1983.

Developing irrigation and drainage systems. Over the past 20 years, the Soviet Union has built 118 large reservoirs and dug many canals. The total investment for water conservation projects was 115 billion rubles and the total length of the irrigation canals is more than 700,000 kilometres. The acreage of irrigated and drained land has increased from 17 million hectares to the current 33 million hectares, accounting for 11 per cent of all cultivated land and 33 per cent of the total agricultural output.

According to the resolution adopted by the recent Party Plenum, the government plans to increase the acreage under irrigation to 30-32 million hectares and that of drained land to 19-21 million hectares by the year 2000. This will increase the current acreage of irrigated and drained land by some 50 per cent and the output will be doubled. The government plans to invest more than 50 billion rubles in irrigation projects.

Industries pick up. Industrial production in the Soviet Union continued to pick up in the first nine

months of this year despite unbalanced development among various sectors.

The latest statistics indicate that industry as a whole registered a 4.1 per cent growth rate, exceeding the projected 3.8 per cent rise for the whole of this year. Industrial production increased by only 2.8 per cent in 1982.

Among the fastest growing industrial products are natural gas, industrial robots, computers and turbines. But growth in petroleum, coal, timber, cement, light industry and the food industry fell short of projected targets. In some cases production has been lower than last year.

UN General Assembly Dialogue Urged in Malvinas Dispute

by **GUAN YANZHONG**

THE United Nations General Assembly on Nov. 1 renewed its call for a peaceful solution to the Argentine-British dispute over ownership of the Malvinas Islands (Falkland).

The resolution was adopted by a vote of 89 to 9, with 54 abstentions. Britain was among the nine "no" votes.

Latin American representatives urged Britain and Argentina to negotiate their dispute over the Malvinas quickly and expressed their support for Argentina's sovereignty claims. Newspapers in Buenos Aires, the capital of Argentina, cited the General Assembly debate and vote as proof of the international support for Argentina's stance. Argentine Foreign Minister Dante Caputo noted that the vote total was better than last year ("yes" votes increased by two). He said the resolution conforms to the principles of Argentina's foreign policy.

The Soviet Union has been trying to modernize its industries by introducing new technologies. New mechanized or automatic assembly lines have been installed and more computer-controlled machines and industrial robots have been put into use during this period. Some 2,000 new products have been developed.

Experiments in industrial reforms launched by the government at the beginning of this year have also yielded initial results. More than 700 industrial enterprises in five industrial sectors involved in the experiments will pave the way for economic reforms on a larger scale next year.

The Malvinas, situated in the South Atlantic 250 miles from the Argentine mainland, are now administered by Britain but claimed by Argentina. War broke out between the two countries in 1982 over the sovereignty of the islands. Since then, the UN General Assembly has three times called for a negotiated settlement of the issue. The civilian Argentine government, which came to power last December, has repeatedly expressed its willingness to resume negotiations with Britain over the ownership of Malvinas. Such negotiations would help ensure peace and stability in the South Atlantic region.

In July this year Britain and Argentina held face-to-face talks on the Malvinas issue in Bern, Switzerland, but they did not achieve any result. Britain has refused to discuss the question of sovereignty over the Malvinas, but British negotiators did agree to restore the economic and trade ties and cultural exchanges which were suspended during the 1982

war. Britain's rigid position has been criticized by opposition parties at home and is unpopular in the international community. More than a month before the UN debate over the Malvinas issue, Britain's representative at the United Nations distributed a secret document to some representatives and asked them to support Britain on the issue. However, this did not pay off.

The UN resolution reaffirms the duty of all its member countries to solve international disputes by peaceful means, as called by the UN Charter. Solving disputes by peaceful negotiations is necessary in the world situation as it is today. Such negotiations are in everyone's best interest. In recent months Britain and Argentina

have both experienced success in such negotiations. After many years of negotiations, Argentina and Chile initialled a treaty to settle a long-standing dispute over territorial claims in the Beagle Channel at the southern tip of South America on Oct. 18. And in late September Britain and China initialled a joint declaration on returning Hongkong to Chinese sovereignty in 1997.

The peaceful settlements have shown that international disputes can be solved without resorting to force. Peace-loving people hope that British leaders will change their attitude and resume negotiating for a peaceful, just and complete settlement of the century-old Malvinas issue.

per cent higher than this year. Meanwhile, a policy of charging low duties for agricultural products has been adopted. Duty on agricultural products is about one-quarter that of industrial products. Furthermore, peasants can get 12.5 per cent of their after-tax export profits in foreign currency.

The agricultural financial company, the government's loan institute, extends credit to peasants every year. In 1983-84 it provided peasants with 60 million kwachas in loans. The company's loan total for this year will be 53 million kwachas despite the government's financial difficulties.

Enough foreign currency to import chemical fertilizer for agriculture is allocated each year. The government still subsidizes 10 per cent of the price of chemical fertilizers. Large commercial farms have been exempted import duties when buying agricultural equipment, and 600,000 small farmers have been given their own land. A co-op department was set up last year to provide small farmers with loans, to purchase farmers' products and to urge them to increase their yield. As a result, small farmers now provide about 60 per cent of the maize purchased by the government.

In education, the number of primary school students reached the one million mark in 1983, about three times that of 1964. And 115,000 students were attending middle schools last year, eight times the number in 1964. Zambia University and other universities were established after independence.

Zambia has pursued a peaceful and non-aligned foreign policy and has supported the national liberation movement in southern Africa, contributing to peace there.

Zambia

Nation Makes Strides in 20 Years

by JIA MING

ZAMBIA'S Government and people have made great strides in developing their economy and in safeguarding the independence they won on Oct. 24, 1964.

Through a series of three Five-Year Plans and three economic reforms, Zambia has made progress in developing its mining industry, transportation network, agriculture and educational system.

The southern African nation, which has deposits of about 800 million tons of copper (about 15 per cent of the world total), produced 614,000 tons of copper in 1982, earning US\$943 million of foreign exchange. Zambia is also rich in aluminium, zinc, cobalt and emerald reserves. The mining industry is responsible for 15.5 per cent of the gross

domestic product, and mineral exports make up 96 per cent of the total export value.

Zambia now has 37,000 kilometres of roads, 2,000 kilometres of railways and 18 airports.

Agriculture has also progressed since independence was won from Britain. The 600,000 tons of maize sold last year is more than double the 260,000 tons sold shortly after independence.

The seed cotton crop was 32,000 tons last year, a new record, and enough to meet the needs of the national textile industry.

The achievements in agriculture are closely linked to the policies of the government. A 20 per cent hike in the state purchasing price of agricultural products was made in the 1984-85 agricultural year, and the government announced last May that prices next year will be 24

Professor Recalls Murdered Writer

Henry Liu (Liu Yiliang) grew up in Jiangsu Province and moved to Taiwan in 1949. He joined a Kuomintang class for young political cadres and was taught directly by Chiang Ching-kuo, Chiang Kai-shek's son and the current president of Taiwan. In 1967 Liu moved to the United States and soon became a writer.

Liu became well-known for his "Biography of Chiang Ching-kuo," his "Memoirs of K C Wu" (former Kuomintang mayor of Shanghai) and his "Biography of Long Yun" (former Kuomintang governor of Yunnan).

On Oct. 15, Henry Liu, 52, was assassinated by two gunmen at his home in a suburb of San Francisco. His death has sparked strong reactions from Chinese and Chinese-American citizens.

"Beijing Review" special correspondent Tai Sheng interviewed Professor Chen Guying, a close friend of Henry Liu, who is currently lecturing at Beijing University. Formerly a professor at Taiwan University, Chen is a research fellow at the University of California at Berkeley.

—Ed

by TAI SHENG

I was deeply grieved to learn of the assassination of Henry Liu," said Chen Guying. "It made me think of his widow and children. It is difficult to cure the scar which was brought not only to the dead but also to the living woman and children.

"Henry Liu was not a leftist, nor a pro-Communist," said Professor Chen. "He was, in fact, a writer with Chinese national emotion. He came to the mainland many times to collect materials for his *Biography of Chiang Ching-kuo*

The Last Letter

Chen said, "I got a letter from Henry Liu at noon on Oct. 15. Earlier that morning he had been assassinated. The letter told me something about the publication of the *Biography of Chiang Ching-kuo*, and said a copy would be sent to me through a friend of his.

"The biography was put on sale in September in San Francisco. Soon after that, it became a best-seller and was brought into Taiwan. Henry Liu made himself known by it and the *Memoirs of K C Wu*. Even James C Y Soong, Director-General of the Taiwan Information Office, was alarmed, saying, 'The secret notes are undermining the Chiang family, but I don't know where they come from.' It was Henry Liu's book where the materials come from."

Henry Liu and His Biography

Professor Chen continued, "The *Biography of Chiang Ching-kuo* gives details about Chiang's life from his birth to his study in the Soviet Union, where he joined the Communist Party and married a Soviet worker. The book describes Chiang's return from Moscow to southern Jiangxi, his role as director of Taiwan's secret agents in the 1950s and his succession to his father as president of Taiwan

later. The book chronicles all the important activities of his life."

Pointing to the copy he received after Liu's murder, Chen explained why the book has been so popular. "First, readers in Taiwan know little about the Chiang family's history or its political activities, especially the family history before 1949," said Chen. *The Xi'an Incident*, a film which was brought to Taiwan through video tape, made public some of the mysteries.

"Taiwan readers don't know the history of the Communist Party of China or China's history since the May 4th Movement. And they don't know the history of the Kuomintang," said Chen. "They are eager to know details about the Gunboat Chungshan Incident, the Bill on Reorganizing the Party's Affairs, the Shanghai Massacre of April 12, 1927 and the party purge which followed and the Kuomintang's withdrawal from the mainland.

"When telling their history the Kuomintang always begins with the party's founding by Dr. Sun Yat-sen, then jumps to the Northern Expedition, and then directly to the Kuomintang's move to Taiwan. Liu's biography tells the truth about both Chiang and the Kuomintang's history," said Chen.

"Some writers made their biography of Chiang Kai-shek into a myth, which is not believed by the readers in Taiwan."

Chen continued with the second reason for Liu's biography's popularity. "Henry Liu came from Chiang's own clique. He graduated from the political cadres training class taught by Chiang Ching-kuo and his aide Wang Sheng. Liu knew a lot about the Chiang

family and the Kuomintang authorities.

"Henry Liu had one of the best memories I have encountered," recalled Chen. He could remember details about something that happened long ago, particularly about complicated organizational affiliations. With such a good memory, he was able to reconstruct the contacts and relations between Chiang Ching-kuo's circle and the Kuomintang senior officials.

"He had a rigorous approach to writing," said Professor Chen. "The materials for the *Biography of Chiang Ching-kuo* were collected by Liu for his doctoral dissertation. He collected all the materials about Chiang Ching-kuo he could find, including books and papers, even the Soviet newspaper *Pravda* and the US *New York Times*. He also conducted many interviews with his excellent English. His book is built on facts and history. During his writing, he often phoned me with questions. He used his plentiful knowledge to analyse Chiang's political behavior, the Kuomintang organization molded by Chiang Ching-kuo and his father, and the actions taken by the Chiang authorities.

"Since he had worked as a journalist, he could write in a vivid and crisp style. His writings are not only believable, but also highly readable."

Professor Chen said the Taiwan regime hates the book because it brought to light a number of things that outsiders didn't know

"When in the Soviet Union, Chiang Ching-kuo wrote a critical letter to his father, Chiang Kai-shek. The letter appeared in the Leningrad *Pravda* in January 1936 and was reprinted by some Japanese and American newspapers. Later a Taiwan journal also published the letter. Some researchers say Chiang Ching-kuo did not write the letter on his own

accord. But Henry Liu found that in 1927, while he was studying at Dr. Sun Yat-sen University in Moscow, Chiang Ching-kuo made public a statement condemning his father for perpetrating the Shanghai Massacre. Liu also discovered literature in which Chiang Ching-kuo's Moscow classmates described how Chiang Ching-kuo was indignant with his father at that time. This finding provides evidence that Chiang Ching-kuo condemned his father more than once and that the Chiang Ching-kuo in 1927 was no different from the Chiang Ching-kuo in 1936, as far as his ideology and actions are concerned.

"In the 1950s, Chiang Ching-kuo became the chieftain of Kuomintang secret agents and masterminded all the major events in Taiwan," said Chen. "The *Biography of Chiang Ching-kuo* has exposed all these secrets, thus violating Chiang Ching-kuo's taboos and making it hard for him to swallow."

An Honest Man

Henry Liu, as a person, was warmhearted, honest and straightforward, Chen said. "He spoke fast, and wrote fast, too. He was not the old, decadent type of scholar.

"He was a man of keen intelligence and farsightedness. He knew that the Kuomintang regime is without a future. He understood what China's present problems are as well as its future ones.

"Though Henry Liu was engaged in business, he did not pay too much attention to monetary gains. During the writing of the *Biography of Chiang Ching-kuo*, the Kuomintang sent people to talk to him, asking him to drop the project. These people even promised him several hundred thousand US dollars if he would not publish

the book. But he turned down all the requests. He told me who these people were who had called on him.

"He knew the Kuomintang so well that he only wrote books and would not make public speeches. He knew the Kuomintang hates people making speeches the most. 'People making public speeches will end up like Wen Yiduo*,' he often told me. He advised me not to make public speeches," recalled Professor Chen. "We warned him to be on guard against attempts on his life after the *Biography of Chiang Ching-kuo* was published. To this he said, 'They dare not. American security police know the Kuomintang secret agents' activities and they do not dare do as they wish in the United States.'

"Our worries, however, sadly turned into reality," said Chen. "This is not the first time the Kuomintang has resorted to assassination to suppress opposition. But all other murders had taken place in China, in areas under Kuomintang control, while this time it happened in the United States. This inevitably sent shock and fear through all Chinese-Americans. Anyone who holds a political position different from that of the Kuomintang might face great danger.

"In the past, whether the US Government would make public a political murder case that had been perpetrated on US soil depended on its political needs," Professor Chen pointed out. "But this time, with regard to Henry Liu's case, it will also depend on how forcefully Chinese-Americans demand an investigation." □

* Wen Yiduo, a famous Chinese poet, scholar and university professor, was murdered by Kuomintang assassins in 1946 because of his opposition to Kuomintang policies.

Understanding China's Socialist System

Born of material conditions, China's socialist system accords with scientific socialism. Its advantages remain obvious despite two major setbacks. The economic reform serves to shore up China's socialist system instead of steering away from it.

by SU XING

WITH the socialist system basically taking shape, the Eighth Party Congress in 1956 proclaimed that China had entered the era of socialism. However, as neither K. Marx, F. Engels nor V.I. Lenin had penciled any set patterns for a new socialist society, China had to seek out its own course of development.

Marx and Engels derived their many ingenious predictions on socialism and communism from close study of the economic law of capitalism. After analysing the capitalist system's basic contradiction (that between socialized production and individual capitalists' ownership of the means of production), they called for an abolition of private ownership of the means of production and the establishment of socialist public ownership. They dissected a specific manifestation of this basic contradiction — the clash between a few enterprises' organized way of production and anarchism in social production — and suggested that capitalist competition and anarchism be eliminated so that social production could be regulated with planning to effect a proportionate growth. Finding that the basic contradiction of capitalism also manifests itself in the contradiction between the proletariat and the bourgeoisie, they called for eliminating exploitation of men by men so that mankind could share social products and distribute them according to one's work or needs.

The writer is a well-known economist and deputy editor-in-chief of *Hongqi* (Red Flag).

Marx and Engels also predicted that after the establishment of public ownership of the means of production, the contradiction between individual and social labour would disappear, and so would commodities and currency.

Believing that communism is evolved from capitalism, Marx in 1875 theorized that communist society would come in two phases: first a socialist society would develop and then a mature communist society would follow.

Most of these basic principles have proved correct. But a few principles, such as the prediction that commodity production would no longer exist in a socialist society, have not been borne out. With a strict, scientific attitude characteristic of great thinkers, Marx and Engels did not provide any hard designs for future society. They believed that future problems should be solved by those directly practising socialism and communism.

Lenin founded the world's first socialist republic in the Soviet Union in 1917. After the revolution was just won, he pointed out, "The times have passed, and in Russia, I am sure, have passed beyond recall, when we used to argue about the socialist programme on the basis of book knowledge. Today socialism can be discussed only on the basis of experience." (*Fifth All-Russia Congress of Soviets of Workers', Peasants', Soldiers' and Red Army Deputies*, 1918) This was typical of Lenin's way of basing theory on experience. A good example was his attitude towards commodities and currency. Prior to the October Revolution in 1917, Lenin shared Marx's and Engels' view that com-

modities and currency would disappear in a socialist society. After the revolution, however, he soon found himself in a situation much more complicated than what Marx and Engels had foreseen. Instead of rigidly sticking to book theories, he searched for a new conclusion through practice. During the period of war-time communism, Lenin had considered replacing trade and currency with planned distribution of social products. At the beginning of the period of the "New Economic Policy," he advocated commodity exchanges free from currency. This shows that at that time he had not completely shaken off the traditional concepts.

In late 1921, Lenin unequivocally declared that his experiment with currency-free commodity exchanges had failed, and he was determined to return to the practice of regulating commerce and the circulation of currency through market. In this regard, he helped develop the Marxist theory on socialism. He was the first in the annals of Marxist political economy to confirm the existence of commodities and currency in a socialist society.

The question now is whether China's socialist society conforms to Marx's basic principles. In my opinion, yes, it does.

First, China's socio-economic system is based on socialist public ownership of the means of production, which entails the ownership by the whole people and collective ownership by the labouring people. The state-run economy, under the ownership by the whole people, is the mainstay in the national economy. The existence of individual economy and other non-

socialist forms does not change the basic nature of China's socialist society. True, Marx and Engels once designed a society with only socialist ownership. But they never saw it as a hard-and-fast formula. And they certainly did not use socialist ownership as the only criterion to judge whether a country had become a socialist society. In his *Principles of Communism*, written in 1847, Engels maintained that private ownership can be abolished only through gradual transformation. So far, it is still uncertain whether a state could institute public ownership in the whole country immediately after a socialist revolution. In fact, none of the established socialist nations, old or young, has completely done away with individual and other non-socialist economic forms. China was, relatively speaking, successful in gradually transforming private ownership of the means of production. The success, however, led us to one-sidedly exaggerate the function of transformation of ownership.

Our misunderstanding and dogmatism concerning certain Marxist-Leninist ideas also played a part in prompting us to neglect the situation in our force of production and go single-mindedly after "large sizes" and "high degrees" of public ownership right after the socialist transformation was basically completed. Practice has shown that when the level of the productive force remains low and the development imbalanced, hasty attempts to eliminate all non-socialist economic forms in pursuit of unified public ownership are detrimental to socialist construction.

In China, diversified economic forms, with the state-owned economy playing the leading role, will coexist for a long time to come. Individual economy and other non-socialist economic forms will make up for deficiencies in the socialist sector of the economy and speed

the development of the national economy as a whole.

Second, China has abolished the exploitation system and implemented the principle of "to each according to his work" in the socialist economy. The principle itself entails public ownership of the means of production and negation of the capitalist system of distribution. Under the capitalist system, the workers' wages are equivalent only to the value of their labour force, while all the surplus value is pocketed by the capitalists. In capitalism, the gaps in wages reflect the differences in the value of labour force and have nothing to do with the principle of "to each according to his work."

The principle of "to each according to his work" is based on public ownership of the means of production and the products. Before the products are distributed according to work done, it is necessary to deduct a certain amount of funds for the expansion of production and social consumption. However, "What the producer is deprived of in his capacity as a private individual benefits him directly or indirectly in his capacity as a member of society." (Karl Marx: *Critique of the Gotha Programme*, 1875).

Because individual and other non-socialist economic forms still exist in China, the phenomenon of some people trying to occupy the products of labour by controlling the means of production is unavoidable. However, in most sectors of the Chinese economy, the principle of "to each according to his work" remains the guideline for distribution.

Third, China's is a planned economy. The national economy develops under the guidance of a unified plan and in a proportionate way. Planning is certainly not unique to a socialist economy. In a society based on private ownership of the means of production,

things proceed by and large in a planned manner within each economic unit, but no plan will ever work on a broad scale. Therefore, although capitalist countries draw up some plans and have achieved some results from such plans, none will ever achieve a planned economy. The socialist economy is based on the public ownership of the means of production, with the state-run economy dominating the whole national economy. This very fact has prepared the conditions for the national economy to achieve the objective needs of planned, or proportionate, development. The state plan exerts varying degrees of binding force on production, distribution and commodity circulation in every enterprise, department and region. This binding force manifests itself in mandatory quotas or quotas of a guiding nature. Some enterprises may gauge their production to meet market demands, but they still follow the guidance of the state plan. A planned economy and the commodity economy do not necessarily clash with each other, and both mandatory plans and guidance plans can be carried out smoothly only if the law of value is consciously applied. As to the market's regulatory role, it is spontaneously controlled by the law of value, although planning guidance and administrative measures are needed to varying degrees.

From the foregoing analyses of China's economy, one can see the country's economic base is of a socialist nature, and so is its superstructure which should be compatible with the economic base. Thus it can be said with certainty that China is now a socialist society in keeping with the basics of scientific socialism but imbued with distinctive Chinese characteristics.

To be continued.

Will Farm Mechanization Be Slowed?

by LU YUN
Our Correspondent

WILL the progress of farm mechanization be affected when land is contracted by each family and management is run separately?

It is true that in quite a few places machinery was not fully used in the first two years after the responsibility system was introduced and the land was divided into smaller plots. Sales of machines dropped dramatically. Some observers began to worry about the future of farm mechanization in China.

However, beginning in 1981, land was rearranged in many places and the method of managing farm machines was changed to suit local conditions. Those peasants who became well-off earlier than others began to buy farm machines, and sales quickly rose. In fact, the responsibility system has speeded up, rather than retarded, the growth of farm mechanization. Instead of grinding to a halt, farm mechanization in China has gone forward to raise economic efficiency and promise a more steady rate of development.

Sudden Rise of Purchasing Power

In 1952 China had a total of 250,000 hp of farm machines. By 1978, before the production responsibility system was instituted, it had 160 million hp. In the five years beginning from 1979, the average annual increase was 17 million hp. By the end of 1983, China had a total of 245 million hp of farm machines.

Before 1978 most of the machines were owned and used by

the collectives, with the exception of few pieces owned by state tractor stations. The newly added machines are owned and used by individual households—a major change brought about by the responsibility system.

Now that the peasants have the right to make their own decisions about production, and to buy and use farm machines as they like. These peasants, who have experienced more than 20 years of collectivization, know farm machines mean higher working efficiency and less manual labour. So once they have enough money they are anxious to buy machines in order to expand their production.

Last year the national average income per peasant was 309.8 yuan, nearly 132 per cent of that in 1978. Families earning 10,000 yuan a year can be found in many parts of China. Many peasants can afford farm machines. The two peasants mentioned in the first two articles of this series, Yan Quanchang and Wu Fengqi, both of Anhui Province, had been poor for many years. But when they got rich, they each bought their own small tractors.

The individual demand for tractors grows far beyond people's expectations. Only 38,000 tractors were sold to the individuals in 1980, but 380,000 were sold in 1981, one million in 1982, and 2.1 million in 1983, or 58.6 per cent of the nation's total (3.59 million).

More peasants are also buying trucks, processing machines, pumps and other machines for irrigation. Supplies of walking tractors and trucks often fall short of demand. This trend will continue for sometime, according to the estimates of the departments in-

involved. Clearly, the peasants' purchasing power is rising rapidly.

Walking tractors are relatively cheap and easy to operate and they consume less oil. This makes them uniquely suitable for domestic use. Even in Heilongjiang Province, where mechanization was rather high, there were only 46,000 walking tractors in 1982. But the figure has jumped to nearly 120,000 this year.

The change in formerly poor areas was even bigger. In Anhui Province, in the five years since the responsibility system was instituted, 70,000 new walking tractors have been purchased, equalling the total for about 20 years prior to 1979. In Henan Province, 310,000 walking tractors and 25,000 trucks are owned by individual peasants.

As the government has further relaxed its rural policies this year, the peasants have a growing demand for farm machines. In Shanxi Province 21,000 tractors and 3,077 trucks were bought in the first five months of this year. That's 20 per cent more tractors and 17 per cent more trucks than last year. At the provincial farm machine sales exhibition, peasants had to line up to place orders because of insufficient supplies.

Zhang Jun, a peasant, has eight people in his family, six of whom are able to work. Last year the family contracted 3.7 hectares of land from the production brigade, but found they could work more. This year they have contracted an additional 34.4 hectares. Although Zhang has got loans, seed, chemical fertilizer and pesticide from his production brigade, the machine service it provides cannot meet his needs. He is anxious to

buy his own tractor. He hopes the machine, coupled with a harrow, a rake and tools for sowing, ploughing, harvesting and threshing, will do work in a year equivalent to what would have taken him 3,000 workdays to complete.

Peasants Own Their Machines

Farm mechanization began in the 1950s, but did not proceed very rapidly. One of the reasons was that the funds to buy machines came either directly from the state or from bank loans. Since machines were considered part of the means of production, they were not for sale to individuals, but were allocated by the government to the collective—the commune or the brigade. Often the machines were not suited to local conditions, and their advantages were not readily apparent.

Today farm machines are considered commodities and are freely available on the market. Anyone with the money can buy one. Peasants may choose whatever they like. High quality, efficient machines, those which perform many tasks, and sets of small equipment are often welcomed. This impels the machinery factories to organize production according

to the peasants' needs and puts farm mechanization on a solid mass foundation.

When farm machines became commodities, the collective, individuals or a small group were able to buy the machines, provide technical service to anyone in planting, harvesting and machine-repairing or to supply spare parts.

In the past few years, in addition to individuals buying machinery, the collective's farm machine stations have contracted half of their tractors to individuals. The contractors are paid a portion of the peasant's final income. In some cases, the collective's tractors were sold to individuals. Today more than 90 per cent of China's tractors are owned by, or are under contract to, individual peasants. In other words, most farm machines are managed by individual families. The number of families who derive their income mainly from operating farm machines is increasing rapidly. Some of them use the machines chiefly to cultivate large tracts of land which they have contracted, but most provide cultivation services for other peasants.

Many of the collectively owned farm machine stations have become service organizations. They

offer cultivation services, repair machines, train drivers for those families who also offer mechanized service, and supply replacement parts and fuel oil. In some areas where farming is already highly mechanized, some farm machine stations have contracted to cultivate plots of land and have thus become mechanized farming teams, while the other peasants work in small factories or sideline occupations. The state tractor stations have also started to offer comprehensive agricultural services for peasants.

As various kinds of service networks emerge, mechanization is becoming increasingly prevalent. At present 8.98 million Chinese people are operating farm machines. There are 1,942 farm mechanization research institutes at or above the county level, 2,121 farm mechanization schools and training classes and 1,973 farm machine repair plants.

Economic Efficiency

The diverse forms of service put farm machinery to better use. When the responsibility system was implemented, egalitarian distribution in the state and collective farm machine stations was done away with. Tractor drivers become more enthusiastic, their work is better, the machines are well maintained and costs are falling. Tractor stations no longer operate inefficiently at a loss.

One farm machine team from a production brigade in Heilongjiang used to lose about 10,000 yuan a year. But after the contract system was adopted, the team gradually accumulated 4,000 yuan for the brigade and gave better pay to its drivers. This is not an isolated case. Statistics from 26 provinces, municipalities and autonomous regions show that in 1982 profits from the machine stations exceeded those of any previous year.

Generally speaking, those house-

Zhang Songnian (left), a peasant specializing in farming in Inner Mongolia, owns a tractor, a hay cutter and other machines.



holds working in cultivation, fishing, animal breeding, transportation or processing farm products with machines are earning more than ordinary peasants, because they combine scientific techniques with good service. In 1982, out of the 174,000 of these families, 50,000 had an annual net income of more than 3,000 yuan, 9,700 families earned more than 5,000 yuan and 1,700 families earned more than 10,000 yuan.

Liu Zhanjiang, a peasant in Heilongjiang, has 13 able-bodied people in his family. Last year the family contracted 110 hectares of land with a wheeled tractor, a Caterpillar-type tractor and a combine harvester. They netted 58,000 yuan. This year they have contracted another 40 hectares. What is more, they plough and harvest for others with their machines, so the family has virtually become a mechanized farm.

In a few areas, land was cut into small, scattered plots which were planted with different crops. Machines could not be used economically. Sometimes tractors and buffaloes worked side by side to plant paddy rice. But generally speaking, as long as the leadership talks the matter over with the peasants and rearranges the land in a proper way, the problem can be easily solved.

Sometimes visitors to China are surprised to see peasants using

tractors for transportation on the highway. Often the peasants use tractors for farming during busy seasons but use them as trucks during slack seasons, thus making full use of the vehicles. This is a good way to increase income and to help relieve the squeeze on transportation facilities. These tractors also have played an active role in keeping commodities moving between city and countryside. A few peasants use tractors only for transportation, due to the insufficient supply of trucks or their higher price.

Although there are no national statistics on what proportion of families use their tractors or trucks solely for transportation, some counties do keep records. In Xindu County in Sichuan Province, there are 2,000 families offering tractor, truck and other machine services. About 11 per cent use their machines only for transportation, while 53.5 per cent use them for farming and transportation, 27.1 per cent only offer farming services, 5.9 per cent process farm produce, 1.7 per cent do machine repairs and 0.7 per cent provide irrigation services.

Looking Ahead

After the responsibility system was introduced, the rural economy rapidly diversified. Machines which were used chiefly for farming are now also used in

forestry, sideline occupations, animal breeding, fishing, industry, commerce, transportation, construction and service trades.

In most places in China the primary concern of mechanization is to mechanize all the field work and transportation. Other kinds of mechanization then follow. But different localities have different needs, and peasants in different trades require different machines. In Shanyin County of Shanxi Province, for example, peasants who farm large tracts of land want tractors, grain dryers and the like, while those who raise cattle need hay cutters, milking machines and equipment to store and transport milk. Still others want machines to process farm produce, such as making vermicelli from potatoes.

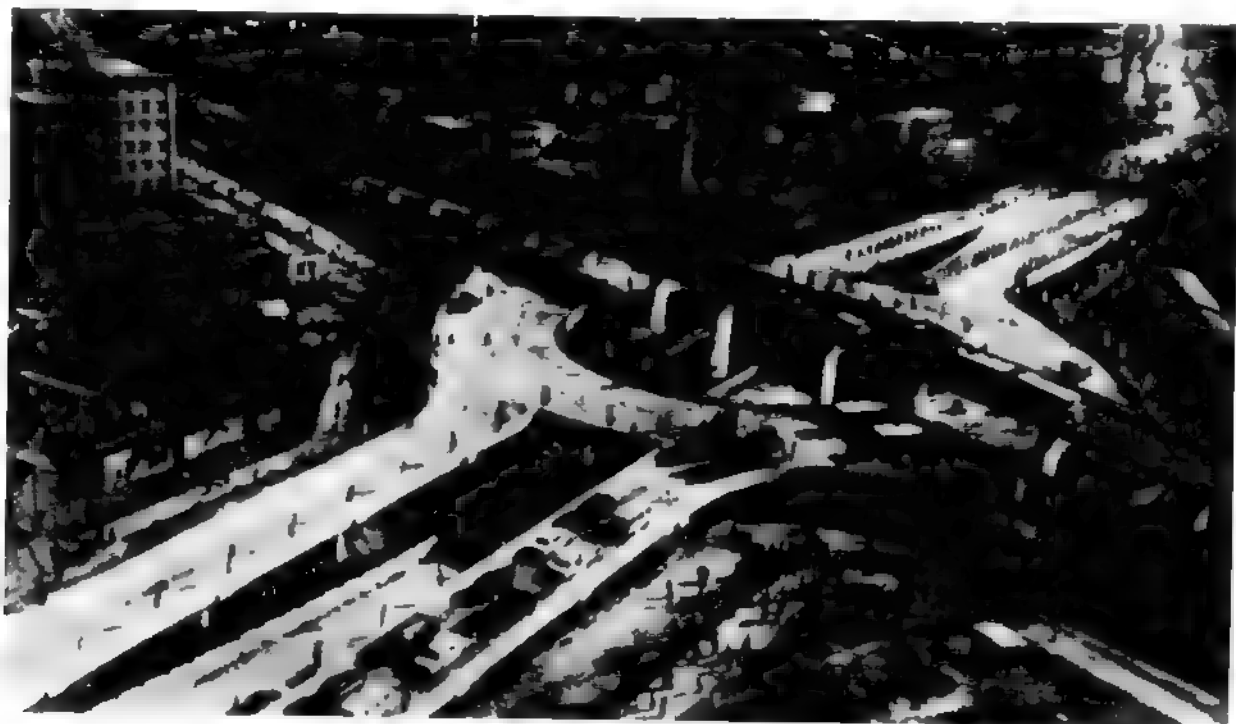
In economically developed Jiangsu, peasants want even more advanced machines. Equipment imported from Britain to brew 1,000 litres of beer a day is welcomed by township enterprises. Seed selectors which perform well and machines to place plastic sheets over the fields (their efficiency is 50 times that of manual labour) are in great demand.

The extensive needs of the peasants have not escaped the notice of farm machine factories all over China. The 11 farm machine factories in Beijing developed 104 new products based on the peasants' requirements. These include complete sets of equipment for all sizes of chicken farms, machines to oxygenate fish ponds, small and medium fodder mixers and small wind power generators.

The rapid development of farm mechanization shows that the rural responsibility system is helping the forces of production to grow. It also shows that in China, a developing country with vast rural areas and a weak economy, the new situation of peasants buying and running their own machines suits the country very well. □

In Shaanxi Province's Lintong County, 288 peasants have their own trucks.





A four-tier overpass in Guangzhou built last year is the first of its kind in China.

Port City Profiles

Guangzhou: First "Window" to the World

Guangzhou was the first of the 14 coastal cities to be declared open to the outside world. While other port cities are still making preparations to seek foreign investment, Guangzhou has already attracted foreign funds to the tune of US\$1.1 billion. And the investment has already begun to yield results. Through the "window" of Guangzhou, it's easy to picture what China's open policy really means and what its prospects are.

by **DING YAOLIN**
Our Correspondent

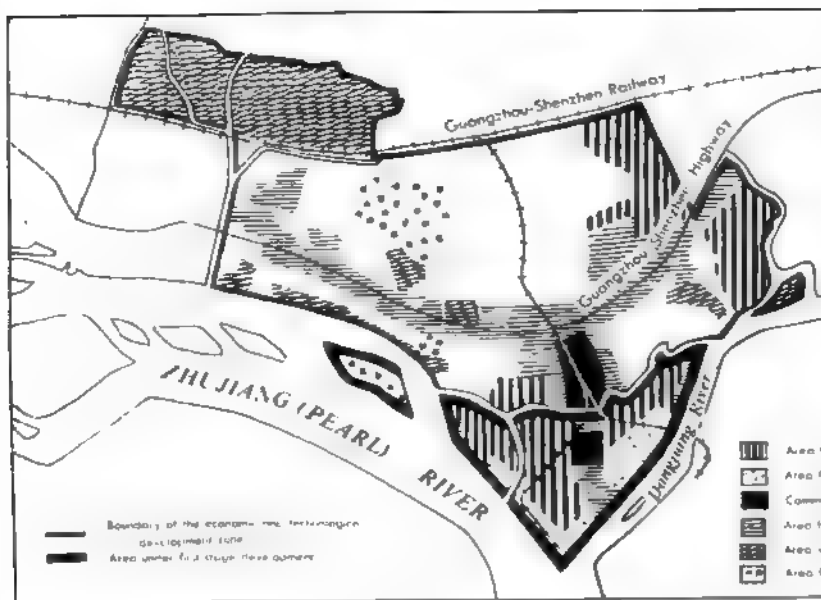
Gateway to Southern China

LOCATED at the mouth of the Zhujiang (Pearl) River, Guangzhou, the capital of Guangdong Province, is the gateway to southern China. Built during the Qin Dynasty (221-207 B.C.). It developed into a world-famous port city by the Tang Dynasty

(618-907). At that time, almost all of China's sea routes to more than a dozen Asian and African countries started from Guangzhou, and the city was the destination for most foreign commercial ships coming to China.

After 1840, Guangzhou developed as a port city famous for its economic and cultural exchanges with other countries. At the same time, it also became a centre of the struggle against imperialism

and feudalism and the birthplace of the modern Chinese revolution. The two Opium Wars, the famous Anti-British Corps and the San-yuanli peasant resistance against British imperialist aggression all originated in Guangzhou. Guangzhou uprising on the eve of the 1911 Revolution against the feudal rule of the Qing court broke out in the city. And it was also from Guangzhou that the National Revolutionary Army started its Northern Expedition in 1926.



A statue depicting five rams holding grains of wheat in their mouths stands in Yuexiu Park at the centre of Guangzhou as a reminder of the past. As a local legend has it, five immortals, each carrying grains of wheat, arrived in Guangzhou riding five rams. They bequeathed their wheat and

their rams to the people of Guangzhou and told them to live "without starvation for ever." The five immortals then flew away and the five rams which remained behind turned into five pieces of stone. Hence Guangzhou was dubbed "wheat city" or "city of rams."

Guangzhou Facts and Figures

Total area: Guangzhou covers 16,661 square kilometres, including six urban districts and eight counties under its jurisdiction.

Climate: Subtropical and monsoon, with abundant rainfall and an average annual temperature of 21.8°C (72°F).

Population: 6.87 million

Location and traffic: Guangzhou is situated on the northern part of the Zhujiang River Delta and is bordered on the south by the South China Sea. It is 147 kilometres from Hongkong. It has a developed network of land, sea and air transportation. The three tributaries of the Zhujiang River which converge at Guangzhou before entering the sea provide inland waterways of 8,000 kilometres. Guangzhou is linked by railway with Beijing, Shenzhen, Kowloon and Sanshui. Its highway network crisscrosses the surrounding counties and provides easy access to

the neighbouring provinces. The Guangzhou and Huangpu harbours, with a combined annual loading and unloading capacity of more than 26 million tons, have sea connections with 350 ports in more than 100 countries and regions. Guangzhou's Baiyun Airport, the third busiest international airport in China, is now served by 30 domestic and international airlines.

Products and resources: Forests cover 470,000 hectares of Guangzhou. Farm products include rice, sugarcane, peanuts, jute, tea, fruits and vegetables. Guangzhou's good climate is suitable for growing fruit all the year around. Its litchis, oranges, bananas and pineapples are famous both at home and abroad. Guangzhou's fishing and seafood resources rank first in China.

Mineral resources: Coal, iron, aluminium, zinc, tungsten, tin, oxides, niobium, fluorite and marl are found in Guangzhou.

Burgeoning Economy

Guangzhou ranks fourth among China's cities in total industrial and agricultural output value. It is also among the nation's leaders in retail sales and in exports and imports.

With abundant natural resources, Guangzhou's agriculture thrives. It produces 1.95 million tons of grain, more than 2 million tons of sugarcane, 62,000 tons of peanuts, 90,000 tons of fruits, 40,000 tons of aquatic products and enough vegetables to meet the local demand.

Its industry is also well-established. The city now has 9,879 industrial enterprises with 800,000 workers and staff members. The city's enterprises specialize in light industry, shipbuilding, machine making, textiles, oil refining, chemicals, computers, electrical appliances and some 140 other products.

Guangzhou ranks third in shipbuilding in China and its ships have sold well on the world market. Its rubber exports rank second in China. Its textiles and other light industrial products are coveted by domestic buyers, and light industrial output ranks fourth in the country.

Its good location and historical development placed Guangzhou in a perfect situation for opening to the outside world. Close to both Hongkong and Macao, the city has good economic ties with those two important trade centres. An incomplete survey shows that more than 1.3 million people born in Guangzhou are now living in 70 other countries and regions. The city has 820,000 people who either have returned home from abroad or have relatives living in Hongkong, Macao or other countries. The personal ties help attract many investors to Guangzhou rather than other areas of China.

Guangzhou's financial scene is lively and the city is one of the three banking and investment centres in China. The Guangzhou and Zhujiang branches of the Bank of China have business ties with more than 1,000 banks in more than 140 countries and regions. France's Banque Nationale de Paris and Banque de Societe Generale, Britain's Hongkong and Shanghai Banking Corporation and Chartered Bank, and Japan's Kogyo, Sumitomo and Mitsui banks and Bank of Tokyo have their offices in Guangzhou.

Guangzhou is also an important port for trading with foreign countries. It has in recent years established trade relations with 5,100 businesses in 133 countries and regions, with exports and imports averaging 7.8 billion yuan a year.

The exploration of oil in the South China Sea has attracted more and more foreign funds and companies to Guangzhou, making it the headquarters for offshore oil exploration.

Guangzhou has 80 per cent of Guangdong Province's scientific and technological experts. It has 21 universities and colleges and more than 300 scientific research centres, altogether staffed with some 12,500 scientists and technicians of various disciplines. In 1983 alone, the city hosted more than 100 academic and technological exchanges with foreign countries.

Flexible Policies

The central government has adopted special policies and flexible measures to help Guangzhou develop its foreign trade.

Five years ago, when Shenzhen, Zhuhai and Shantou were marked off as special economic zones, Guangzhou, due to its location, became a hub linking the three zones.

The state has granted Guangzhou the right to approve foreign investment projects of up to US\$ 5 million. The state has also given Guangzhou officials greater decision-making power on city financial matters.

The state has also allowed Guangzhou's factories and other enterprises to have direct business ties with foreign countries without review by the state. The firms can export goods, hold trade talks, sign contracts, arrange transportation and settle accounts without consulting the state.

Since 1957 Guangzhou has hosted the China Export Commodities Fair twice a year. The fair is a centre for all kinds of foreign trade transactions.

The special policies and flexible measures have helped Guangzhou attract more than US\$ 1.1 billion in foreign investment between 1979 and April 1984. Of that total, joint ventures, jointly managed en-

Huangpu Harbour.





A freighter of the Guangzhou Shipping Co. is launched.

terprises and compensatory trade deals accounted for US\$ 522 million, of which US\$ 182 million has already been put to use. Contracts involving processing and assembling or manufacturing products according to foreign samples totalled US\$ 655 million, of which US\$ 130 million has been expended. Guangzhou is second only to the Shenzhen Special Economic Zone in total import value, total investment and net income.

Economic Results

The imported foreign funds, equipment and technology have promoted the development of Guangzhou's industry. For instance, the import of US\$ 47 million worth of electronics equipment gave birth to Guangzhou's electronics industry. As a result, Guangzhou now produces multi-function quartz watches, micro-computers and sophisticated calculators. Two imported refrigerator production lines now turn out 200,000 energy-efficient, high-quality refrigerators annually. The refrigerators have sold well throughout the country.

Guangzhou has also utilized foreign investment to build new hotels and revamp old ones to

boost the growth of its tourist industry. Foreign hotel management firms have entered joint ventures on 27 hotels. The White Swan Hotel, the China Hotel and the Huayuan Hotel (Garden Hotel), which are considered to be world-class establishments, have been completed and are receiving visitors. Old hotels like the Dongfang, Liuhua, Baiyun and a dozen more medium-sized hotels have been renovated. All these hotels, both old and new, have such modern amenities as air-conditioners, colour TV sets, radios or stereos, direct-dial telephones, fire alarms and anti-theft devices. Last year the city's tourist income was several times the level of 1980.

Co-operation Breeds Success

Doing business with foreign investors and partners has turned out to be good business for all involved.

When Chinese enterprises, such as those in Guangzhou, take on foreign partners, both sides adhere to the principle of equality and mutual benefit. A look at three co-operative ventures in Guangzhou reveals the fact that

The efforts to help foreign businesses process their materials and assemble their components have greatly spurred the growth of county and neighbourhood industries. Take for example the city's Dongshan District, which has a population of 420,000. Since 1979 the district has imported US\$ 2.6 million worth of equipment for 42 production lines which created jobs for 70,000 people.

The imported foreign funds, modern equipment and advanced technology have enabled the city's economy and the standard of living to improve rapidly.

Guangzhou has utilized foreign investments to build apartment houses and expand public facilities. The city's Dongshan District, without any state investment, used foreign funds to build 766 apartments, complete with shops and other facilities. The area's housing shortage was thus somewhat alleviated.

Guangzhou also imported more than 2,600 cars and minibuses through joint venture and compensatory trade contracts. The aim is to set up dozens of taxi companies to relieve traffic congestion. The cars and minibuses stop to pick up passengers who hail a cab on the street, a more convenient method than having to go to a taxi stand as passengers were forced to do in the past.

this principle is, indeed, being carried out in practice.

Take, for example, the case of the Guangmei Foods Co., Ltd. Located in the eastern suburbs of Guangzhou, Guangmei Foods is a joint venture with a total investment of US\$10 million. Of the total, Beatrice Foods Co. of the United States provided US\$5 million, the China International

**Highlights of Guangzhou's Economy
from 1978 to 1983**

	Unit	1978	1983	1983's growth rate as against 1978
Total industrial output value	million yuan	7,430	11,870	60 per cent
Total agricultural output value	million yuan	1,200	1,850	54 per cent
Retail sales of consumer goods	million yuan	2,150	5,050	130 per cent
Exports	million US dollars	198	429	120 per cent
Revenue	million yuan	1,397	2,022	45 per cent

Standard of Living

	1978	1983
Average annual income for an urban worker	710 yuan	1,144 yuan
Average annual income for a peasant	250 yuan	497 yuan
Total urban and rural savings	590 million yuan	2.27 billion yuan

Investment and Trust Co. provided US\$ 1 million and the Guangzhou Foods Co. provided US\$ 4 million. Profits are to be split according to the percentage of investment. The joint venture was granted a license for 15 years.

A 10-member board of directors is the decision-making body of the company, and it includes five members from the Chinese side and five from the United States.

Zhang Decheng, deputy general manager and the representative for the Chinese side, noted that the state has adopted a series of preferential policies for joint ven-

tures. For example, exports made by joint ventures are exempt from customs duties. The state levies no income tax on profits earned for two years after the company makes profits, and from the third to the fifth year, the company pays only half the normal tax rate. In addition, industrial and commercial consolidated taxes on soft drinks are reduced 40 per cent during the first three years of business.

Zhang said that the Beatrice Foods Co. has been faithful to the agreement and there has been sincere co-operation between the two sides.

Guangmei Foods started operations October 12, 1984. But three products (canned foods, concentrated foods and ice cream) have been turned out at existing facilities since last year. The company has already grossed US\$ 177,000 from the sales of the three products on the international market and 15,300 yuan from domestic market sales. The American partner doesn't expect an immediate return, but is banking on success in the future. They expanded production through reinvestments in the joint venture. Beatrice's main goals are establishing an international reputation for their products and breaking into the international market. They hope the Guangzhou factory will be a first-class operation from which they can serve the Asian market.

The joint venture imported three automatic production lines for making soft drinks in glass bottles or in sealed plastic bags, concentrated foods and ice cream. Auxiliary facilities were also imported, and American technicians came to Guangzhou to help the Chinese workers ready the facilities.

While the joint venture was gearing up for production, the managers sent a number of workers to Beatrice plants in the United States to receive technical training.

Yao Kunxiong, who heads the soft drink line, made the training trip. He said he learnt a lot about efficient management techniques and advanced technology during his two months of study at Beatrice.

James Maxwell, general manager of the Guangmei Foods Co. and deputy general arbitrator of the international section of Beatrice Foods, said that his company, too, has benefited from Sino-American co-operation. Since January 1982, he has spent about

half of his time in China looking into possibilities for business co-operation.

Said Maxwell, "I like China, and I am willing to understand China. China is a big country. Our company is willing and able to do our bit to aid China's construction. This is the motivating force behind us investing here.

"I think the best way to build China and carry out the four modernizations is to run joint ventures," said Maxwell. "Of course, the Chinese people have their hard-to-break habits that do not suit the new situation. They should be changed. In addition, efficiency is a big problem. But I believe the enterprise has prospects. We are now investing funds in the company, and gains are bound to be obtained in the future."

The View From the China Hotel

Guangzhou's China Hotel has enjoyed popularity since the day it first opened its doors last December. After a partial opening, it held its formal opening in June this year. Its quick success is not only due to its good location and spectacular views from its luxurious rooms, but also due to its modern facilities and first-class service.

The 18-floor hotel, located near the Guangzhou Railway Station, offers 1,017 well-equipped rooms. It also has a bank, a health spa and recreation rooms.

The hotel is jointly managed by the Guangzhou Yangcheng Service Development Co. and the Shin Ho Ch'eng Development Ltd. (Hongkong), an investment group

made up of six businessmen. They adopted an unusual form of partnership in opening the China Hotel. The investors provided all the funds (US\$100 million) for the hotel's construction, while the Guangzhou company only supplied the land. Profits netted belong to the Hongkong group until the investment plus interest is paid off. After that, profits will be shared 50-50. When the contract expires after 20 years, the hotel will belong to the Guangzhou company.

Though some critics have charged that the Hongkong investors are benefiting from the contract while the Guangzhou company is getting a bad deal. The fact is both sides are winning. The Chinese side has earned HK\$400 million from the construction of the hotel. From December 1983 to June 1984, the hotel paid back US\$ 1 million to the Hongkong investors. And in the first month after the hotel started full-scale business, another US\$ 1 million was repaid. At the same time, the hotel paid 3.1 million yuan in industrial and commercial taxes to the state.

Because modern design techniques and advanced construction technology were used, the hotel has a total floor space of 165,000 square metres but covers an area of only 19,000 square metres. It took the joint venture only 28 months to finish the hotel, six months ahead of schedule. It is a rare occasion in China when such a large hotel is finished so quickly and retains such high standards of construction quality.

Now the China Hotel uses computers to handle managerial affairs and cost accounting. Apart from 13 administrators, all staff and attendants work under contract system. The term of the contract is usually about three years. The employees must re-

Guangzhou's foreign trade and commercial centre by the Liuhua Lake.



ceive professional training from several months to a year.

General Manager Joachim Burger, who has previously managed many famous hotels in foreign countries, said, "A hotel with international standards must stress the role of training. Our aim is to make our staff and attendants become first-class in their service quality through technical training."

The manager continued, "Visitors often ask me how many stars the China Hotel has. At present, large hotels in the world are divided into five classes. The hotels with four or five stars are regarded as first-class. In my opinion, the class of a hotel depends on whether it wins popularity with its customers. If a hotel is built with a large amount of investment and is well-equipped, but not well managed, you can't say it belongs to the first class."

"In a sense, there are no stars for a new hotel," said Burger. "I place my hopes on our staff and attendants. I encourage them to offer the best service in order to make the hotel the best in the world."

Investment Boosts Production

The Guangzhou Electronic Wrist Watch Factory is the largest of its kind in China. Every year, the factory can produce 10 million digital quartz watches, 5 million spring-winding watches, 200,000 telephones and 2 million microphones and other types of electronic equipment. The production rate and quality of the products have equalled the level of manufacturers in Hongkong.

Prior to 1978 the factory was just a small printing house which produced primary school exercise-books and playing cards. The transformation of the factory



Lobby of the new China Hotel.

came as a result of China's opening to the outside world. After signing contracts with Hongkong businesses in 1979, the factory began processing watch parts. It gradually began assembling digital watches. Over the past five years, the factory earned US\$ 4.8 million and repaid US\$ 1 million towards the cost of the imported equipment. In addition, the factory paid 7.38 million yuan to the state in taxes and profits.

In March this year the factory and the Hongkong Keyuan Electronics Co. signed an agreement to set up another electronic wrist watch factory, with a total investment of US\$ 2 million, 51 per cent of which coming from the Hongkong firm.

The joint venture will market 80 per cent of its products internationally and 20 per cent in China. The Guangzhou watch factory has designated a building for the new factory and has picked 200 workers to serve as the initial production crew.

When asked about the benefits of using foreign investment, factory director Ren Ximing said, "Advanced technology and management techniques can be introduced to China after importing foreign funds. We are able to make more foreign currency for the state and create more jobs for young people. The factory work-force has increased from 650 to 1,460, and most new workers are newly recruited young people."

Huangpu Pegged for Development

TO attract more foreign investment and better utilize imported equipment and technology, Guangzhou has staked off 9.6 square kilometres in the Huangpu District on the eastern outskirts to serve as "an economic and technological development zone."

Located at the spot where the Zhujiang River and its tributary, the Dongjiang River, converge, the Huangpu District is 88 nautical miles from Hongkong and 114 kilometres from Shenzhen. A new district established in 1973, it has under it two people's communes and one town, with a total population of 200,000.

As designed, the development zone will be built into an industrial zone that makes use of advanced technology and scientific research. The Huangpu District will have well-equipped factories, scientific research centres, modern transportation and communications systems, and cultural, health and recreational facilities.

The entire zone will be developed in three stages. In the first stage of about two years, which began in the latter half of this year, construction

will focus on a southern triangle of about three square kilometres (see sketch map). With smooth terrain suitable for building, the Huangpu Power Plant to the west and a 4.7-kilometre-long bank of the Dongjiang River to the southeast, the area is called the "golden triangle." Enterprises that can be built quickly and put into operation will be the focus of the first stage. The second stage, which will take two more years, will see the construction of infrastructure projects and of some major knowledge-intensive and technology-intensive projects on another three square kilometres. In the third stage, the whole zone will be developed, as new factories are constructed and old ones are revamped. Imported equipment and technology will help develop enterprises such as micro-electronics, information technology, biological engineering, computers, optic fibres, and other technologies related to chemicals and foodstuffs.

As for agriculture, the 3,400 hectares of forests and arable land in the zone will gradually be reduced, but the land planted to bananas, litchis, olives, oranges and other fruits will be retained. A large-scale afforestation effort will be made so

that 50 per cent of the zone will be covered with trees.

The Huangpu development zone is already served by some infrastructures. In addition to the Guangzhou-Shenzhen Highway, which runs through the zone, the Guangzhou-Shahe Expressway is now under construction. It will connect up with the Guangzhou-Shenzhen and Guangzhou-Gongbei Expressways. The Guangzhou-Shenzhen Railway, which skirts the northern edge of the zone, will be double-tracked next year. The zone's Huangpu Harbour, the closest Chinese harbour to Southeast Asia, the Middle East, Europe and Africa, will increase its handling capacity from the present 16 million tons to 27.5 million tons in 1990.

The development zone has a sufficient power supply. The Huangpu Power Plant, which has four generating sets with a total capacity of 500,000 kw, generates enough power to supply big factories in the zone while still delivering electricity to the city proper.

The development zone will implement policies and measures similar to those of the Shenzhen Special Economic Zone in importing foreign funds, advanced technologies and management methods. The goal is to accelerate the economic take-off of the whole city of Guangzhou.

"If we do not import foreign investment," said the factory director, "it would be impossible for us to build a new factory for several years. But now we have set up a production line in only 40 days with the help of technicians from the Hongkong Keyuan Co., and we didn't have to ask for any money from the state."

"The development of our factory shows that absorption of foreign investment is not in contradiction with our own efforts to develop production," said Ren. "The major form of co-operation has been utilizing foreign funds to import advanced technology.

In this way we can improve production more than if we just process raw materials from abroad. It is estimated that capital used for the joint venture can be paid

off after three years of business. Running joint ventures with foreign funds is beneficial to the state and to the collective, so why not go ahead with it?"

"Opening" Primed by New Policies

As the 14 coastal cities gain more decision-making power over their economic affairs and are able to offer foreign investors preferential treatment, China's open policy will move into high gear, said Liu Nianzhu, Vice-Mayor of Guangzhou.

The vice-mayor said that new

powers granted the port cities will quicken the pace of foreign investment in China and will help introduce new technologies and management techniques to Chinese industry.

For example, said Vice-Mayor Liu, Guangzhou has been granted more powers in examining and

approving investment projects. The city officials, without state review, can now approve investment projects of up to US\$ 10 million. And no state approval is required for related non-productive projects or imported equipment.

To help attract foreign investors, said Liu, Guangzhou offers reduced or exempted taxes on projects that bring advanced technology to China. And joint ventures that produce high-tech products are also allowed to market some of their goods on the Chinese market.

Take microcomputers, for example. Domestic users are not allowed to import microcomputers if certain Chinese-foreign joint venture is producing the product in China. In this way, the needed computers can find their way into the Chinese market.

Introducing such products, of course, entails many questions about exactly what will and won't be allowed to be sold on the Chinese domestic market. The State Council is now working on the problem and will publish rules and regulations in the near future.

In the past few months, said Vice-Mayor Liu, Guangzhou has

taken three steps to help implement the open policy:

(1) The city drew up a seven-year (1984-1990) plan to encourage the technical transformation of its industrial enterprises. The aim is to quadruple the gross output value of industry by 1990. Out of 226 industrial concerns, 130 should be modernized to reach the world level of late 1970s and early 1980s by the end of the plan. The city hopes to boost its advanced light industry and textile products from just 10 per cent of the total output to 30 per cent. The city hopes to quadruple the percentage of high technology products, which today account for only 5 per cent of the output.

(2) To help attract investment, the city has established the Huangpu economic and technological development zone (see box).

(3) Following last month's Party Central Committee decision on reforming the economic system, the city has worked to carry out the reforms so that they can help develop the open policy.

Present reforms include:

- Giving enterprises more decision-making power. Starting last month, all enterprises began



Young workers assemble quartz watches at the Guangzhou Wrist Watch Factory.

paying taxes instead of delivering profits. The change has allowed enterprises to manage their affairs independently, a change welcomed by foreign investors.

- Encouraging factories to establish direct trade relations with foreign enterprises.

- Reforming the commercial system and enlivening domestic markets in order to provide more consumer goods and a more open market to purchase the products made by joint ventures.

- Popularizing the competitive bidding system and attracting more foreign investment for capital construction.

- Advertising for cadres and employing workers under contract system

Recalling the achievements of the past few years, Liu said there are good reasons to believe the reforms will lead to more foreign co-operation in Guangzhou and growth in the city's whole economy. □

The Guangmei Foods Co. under construction.



Fierce Fight for Huge Inheritance

from "ZHONGGUO
FAZHIBAO"

(China Legal News)

IT took 40 years to settle a legal case which involves a huge inheritance.

Zhao Biyan, an 84-year-old Chinese citizen, is the widow of Zhao Xinbo, president of the Legislative Yuan of the puppet Manchu regime set up under Japanese occupation. They married in 1921. Just before 1938 she followed her husband to Tokyo, where they purchased a large quantity of real estate. They also buried a considerable sum of gold bullion and jewelry before returning to China.

All of this should have been returned to Zhao Biyan. However, because Sino-Japanese relations were interrupted for many years, and because the property attorney entrusted by the couple died in 1948, the Japanese had no way to ascertain whether or not Zhao Biyan was still alive. Year after year the mystery continued.

Later, a Japanese newspaper, *Sankei News* ran a story headlined "24,000 Million Yen Is Still Floating Around." Other Japanese newspapers and newspapers in Hongkong, Taiwan and Malaysia all gave the sentimental story wide coverage.

Swindlers all over the world stepped forward to claim Zhao's property. Using all kinds of plots and schemes, they tried to claim they were the rightful persons to inherit. Within a short time three Zhao Biyans and nine of her descendants popped up, greatly amusing the Japanese public. Their fierce struggle for the legacy continued over decades.

In 1964, an overseas Chinese named Ma and his wife used a forged certificate to sell Zhao's estate. After their scheme was discovered, they handed back the money. But more importantly, they confessed that Zhao Biyan might still live in Beijing.

Liao Chengzhi, then director of the Commission for Overseas Chinese Affairs, promptly made inquiries about Zhao. Finally in the Western District of Beijing, Zhao and her son, Zhao Zongyang, were located.

Upon learning her property was endangered, Zhao immediately filed a suit in the Tokyo Household Judicial Department through the Chinese Ministry of Foreign Affairs and the State Council. She hired two Japanese lawyers, Toshio Kurooa and Yasumori Ogawa, to go to the bar for her, and entrusted two agents to deal with the business regarding her properties.

Unfortunately, the outbreak of the "cultural revolution" (1966-76) cut short their efforts, and the case was put aside. However, the fight among the claimants to Zhao's fortune continued.

In 1976, aided by the Chinese Government, 76-year-old Zhao Biyan went to Japan. She showed the Tokyo Household Judicial Department papers prepared by a Beijing notary, which proved her to be the wife of Zhao Xinbo. She recounted how she had gone to Japan three times, bought the residence and buried the treasure.

Although Zhao's appearance in court discouraged some imposters, others were so obsessed with the thought of enormous wealth that they continued to pursue it. In

1980 Li Yue from Hongkong told a fantastic story, accompanied by faked photographs, calling himself Zhao's son-in-law. But in the end he had to confess that he was lying.

This past April Zhao Zongyang, 59, went to Japan with a lawyer from the Beijing Municipal Law Consultative Department. In the Tokyo Household Judicial Department, he presented a certificate proving his father's death. He presented his household registration in Beijing and other credentials. In the court, his former teachers and classmates from his primary schools in Tokyo and Kanagawa all recognized him. The evidence gave overwhelming proof that he was Zhao's rightful heir.

The final judgment was handed down on Sept. 7, 1984. The court held that the Zhao Biyan, who had filed suit in 1976, was the same Zhao rumoured long ago to be dead. It also held that Zhao Zongyang was the son of Zhao Biyan.

Zhao's property was returned to her, and it no longer floats free.

Pianos Find Ready Market in Beijing

from "BEIJING WANBAO"
(Beijing Evening News)

PIANOS, the "king of the musical instruments" is selling well in Beijing. Since last March, 3,000 pianos have been sold, mostly to individuals. Of them, about 600 were bought by workers, 200 by peasants, 800 by teachers and 400 by cadres.

According to the Department Store on the Wangfujing Street and shops which sell musical instruments, pianos are attracting the



Chang Baoquan, a peasant in Zhengzhou, Henan Province, bought a piano from Shanghai to entertain himself and his fellow villagers.

interests of tens of thousands of people. Apart from Beijing buyers, consumers from Chengdu, Wuhan, Guilin, Shantou and even from Urumqi, remit their money from their far away homes.

Wang Xinquan, director of the Beijing Piano Factory, said, "We have never before seen so many enthusiastic buyers. Most are amateur music lovers or ordinary

people. While a piano can add interest to their free time and mould their characters, more people prefer to spend the big sum of money as an investment for their one child."

The Beijing municipal government has listed the piano as one of the major products manufactured in the city. It plans to increase the production of pianos by a big margin beginning next year.

Shareholders Should Be Rewarded

from "SHIJIE JINGJI
DAOBAO"
(World Economic Herald)

SHAREHOLDERS in handicraft collectives have every reason to receive their dividends," said Xu Dixin, a noted Chinese economist.

Xu explained that China's handicraft collectives are based on the collective ownership, with the means of production in the hands of the working people. There is no doubt that shares the staff

members buy are part of the financial resources of the handicraft industry.

However, when the elementary agricultural producers' co-operative became an advanced agricultural producers' co-operative, this fact was negated. The reason was: Drawing extra dividends was against the principle of distribution according to work.

The economist contended, "If, on the one hand, staff are encouraged to hold shares, and on the other hand, they are prohibit-

ed to draw dividends, it will contradict the fact that people deposit their money in banks and legally withdraw the interest.

"People legally receive their interest from the people's bank, so why shouldn't staff members get dividends from their enterprises?" Xu asked.

Largest Reference Enriches Culture

from "JINGJI RIBAO"
(Economic Daily)

A COLLECTION of Ancient and Modern Works, compiled during the Qing Dynasty (1644-1911) is the largest and most comprehensive reference book ever put together. Together with the *Yongle Encyclopaedia*, written during the Ming Dynasty (1368-1644), they provide an unprecedented wealth of information.

The loss of most of the *Yongle Encyclopaedia* makes *A Collection of Ancient and Modern Works*, which is still intact, even more precious.

The all-inclusive book has 10,000 volumes containing charts, illustrations, biographies and miscellanies. It goes from ancient days to the times it was compiled, from astronomy to geology, from classics to histories, and from plant growing to the manufacturing of various goods.

A Collection of Ancient and Modern Works was compiled by Chen Menglei, a scholar in the Qing Dynasty. He began writing in 1700 and was basically finished six years later. To improve the work, Emperor Kangxi summoned other scholars to help compile information.

The great work, offering a wealth of information on books, is significant to the study of ancient Chinese culture.

Atlas Maps China Through History

The eight-volume *Chinese History Atlas*, with a total of 304 maps in 20 groups, is a historic work portraying Chinese history from primitive society to the end of the Qing Dynasty. After careful research, Chinese historians mapped out more than 70,000 places of ancient China, depicting not only the areas dominated by imperial courts of the dynasties, but also the limits of political power held by various minority nationalities and border regimes through history. The *Chinese History Atlas* proves through research that China's present domains have long been the common territory of the Chinese nation. The atlas clearly depicts the process of Chinese history by describing the changing domains and governmental regions since the Stone Age.

The publication of the atlas in October 1982 by the Cartographic Publishing House aroused the attention of historians the world over. So far more than 8,000 copies have been ordered by foreign academics.

Professor Tan Qixiang, director of the Chinese History and Geography Research Institute of Fudan University, was chief editor of the massive project.

Producing the atlas involved nearly 30 years of effort, from planning to publishing. The task of compiling the information, which was carried out in line with historical facts, was handled primarily by more than 20 researchers from the research institute. Also contributing to the work were more than 80 historians and geographers from other organizations, including the Nationalities Research Institute, the History Research Institute and

the Archaeology Research Institute under the Chinese Academy of Social Sciences.

China's Modern History Described

The History of Modern China, edited by Liu Danian, is an academic work tracing Chinese history since the 1840s.

The book encompasses five volumes, divided into three sections. Volume I (published in 1978) covers 1840-1864, when imperialist countries began to exploit China and the people reacted with anti-aggression wars and peasant wars. Volumes II and III (published recently by the People's Publishing House) deal with 1864-1901, when the semi-colonial and semi-feudal society was shaped as foreign powers further controlled China. It describes how the Chinese people struggled against the imperialist nations' plans to carve up China among themselves.

China's Economic Geography

The distribution of China's production, its history and present conditions, the laws that govern the development of distribution, the factors which influence it and the experiences China has gained are outlined in a new book.

Outline of China's Economic Geography is divided into five parts. The first part introduces the great changes and achievements in China's distribution networks before and after 1949, and the ex-

periences and lessons learnt. The following three parts describe the present distribution patterns, the laws of development and tendencies of future distribution development in industry, agriculture, and communications and transportation. The fifth part discusses China's economic centres and the differences between various parts of China, analysing the changes and characteristics of China's distribution of production from the point of view of the localities.

The late Professor Sun Jingzhi, an economic geographer and anthropologist, was the chief editor of the book.

Zhou Yang's Works Collected

Zhou Yang, a noted Chinese literary theorist, has made a great contribution to the study of Marxist literary theory in the recent fifty years. His theories have been very influential in China.

Recently his literary work was published in five volumes. *Collected Works of Zhou Yang* are presented chronologically, according to publication date. Volume I deals with his work before 1949. Volumes II-IV cover 1949 to 1966. Volume V contains his work published after 1978.

In the book questions concerning politics and policy remain as they were. The writer made no changes, but explained his ideas in the appendices.

Vol. I will be available soon in Chinese. It contains 56 articles, including "People's New Literature and Art" and the preface for "Marxism and Literature and Art." The remaining volumes will be printed within one or two years.



Smiling Boy (stone).



Young Girl (white marble).

ART PAGE

Sculpture by Liu Huanzhang

Born in 1930 in Leting County, Hebei Province, Liu Huanzhang is now an associate professor at the sculpture studio of the Central Academy of Fine Arts in Beijing.



Meditation (wood relief).



Bear (wood).

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